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SUBJECT: CODEL SHELBY DISCUSSES BANKING, MONEY LAUNDERING,
AND ECONOMIC DEVELOPMENT

REF: A. TEGUCIGALPA 1434

[1](#)B. TEGUCIGALPA 1490

[1](#)C. TEGUCIGALPA 819

[1](#)1. Summary: Codel Shelby's June 28-30 visit underscored the close economic and political relationship between the U.S. and Honduras, while providing a welcome focus on financial regulation and prevention of money laundering and terrorist financing. In meetings with GOH officials and business and banking sector leaders, the delegation discussed the Millennium Challenge Account (MCA), port security, and the Central American Free Trade Agreement (CAFTA). The senators expressed interest in further assisting the Government of Honduras (GOH) with economic development, security training, and financial reform. The visit took place during unrelated protests by teachers and environmentalists, which did not impact the delegation directly. End Summary.

Meeting with Ministers and President Maduro

[1](#)2. Senator Richard Shelby (R-AL) and Senator John Cornyn (R-TX) visited Honduras June 28-30 as part of a five-country visit through Central America. In their first meeting at the Presidential Palace, Norman Garcia, Minister of Industry and Commerce, presented the group with a broad overview of the main economic issues facing Honduras, namely CAFTA and the MCA. The Senators raised the fight against terrorist financing and money laundering, as well as immigration and remittances. Minister of Finance Arturo Alvarado arrived partway through the meeting, having come directly from teacher negotiations. He updated the delegation on the status of negotiations and explained the background to the government's policy of controlling growth of teacher salaries to maintain fiscal balance and keep within the macroeconomic framework of the IMF agreement (ref A).

[1](#)3. Honduran President Ricardo Maduro, joining the meeting in progress, described the relationship between the U.S. and Honduras as one of shared convictions and the common belief in basic responsible behavior, citing his administration's willingness to invest scarce political capital on issues of importance to the U.S., such as Iraq and Cuba, as evidence of Honduras, commitment to this friendly relationship. Maduro spoke optimistically of the MCA, viewing it as a means to invest in important infrastructure projects and promote economic development. Regarding CAFTA, Maduro commented that open markets are key to Honduras' prospects for economic growth, stating that ratification of CAFTA would be the single most important thing the U.S. Congress could do for Honduras.

[1](#)4. As the conversation turned to the Senators, interests in financial institutions and the rule of law, Maduro highlighted recent accomplishments, such as a revised judicial system and a method of auditing state purchases. Maduro emphasized the challenge that a lack of continuity from one administration to the next poses for maintaining these advances.

Meeting with Citibank

[1](#)5. The next morning, the delegation, accompanied by members of the Honduran Banking and Insurance Association (AHIBA), attended a breakfast hosted by Citibank. Citibank President Maximo Vidal reviewed the bank's operations in Honduras, emphasizing its focus on education, economic and community development, and quality of life. Senator Shelby raised issues such as remittances and the prospects for economic growth in Honduras. He discussed infrastructure projects (including those that may potentially be funded by the MCA - see ref B) and port security improvements as ways to facilitate and stimulate economic growth. Senator Cornyn also emphasized the importance of port security, noting that

a balance must exist between security and commercial issues, such that security is adequate, but does not inhibit commercial activity.

Meeting at CABEI

16. Next, the delegation met with representatives of the Central American Bank of Economic Integration (CABEI) to discuss CABEI's role in the region. CABEI's Chief Economist Marvin Taylor explained that about two-thirds of CABEI lending goes to the public sector, and stressed the bank's role as a leader in microlending, with a focus on small and medium enterprises. Senator Shelby voiced his support for the bank's focus on economic development, extolling the benefits of regional and economic integration. Senator Cornyn asked what challenges CABEI faces and how the U.S. may assist the bank. Taylor cited a lack of continuity within the Honduran government as a principal roadblock to progress, in addition to a fragile macroeconomic environment. Taylor described CAFTA as a fantastic opportunity to solidify economic growth. Taylor suggested incorporating the U.S. into CABEI as a member, thereby increasing U.S. investment.

Factory Tour and Lunch with Manufacturers' Association

17. Following the meeting at CABEI, members of the Honduran Manufacturers, Association (AHM) met with the delegation and guided them on a tour of the MANEX factory facility. The tour highlighted the use of U.S.-made material and equipment at the factory, emphasizing the importance of Honduras as a destination for U.S. exports, and Honduran reliance upon the U.S. as a market for the industry's finished products. The factory managers explained to the delegation that the factory must uphold the labor standards of the companies that contract its work.

18. After the tour of the factory, AHM representatives hosted a lunch for the delegation, and gave a presentation showing the increase in textile-related exports from the United States to Honduras over the past decade. Because the outsourcing of jobs is of primary concern to many in the United States, AHM members focused on U.S. economic gains due to foreign investment in the Honduran textile industry. The Senators acknowledged the association's support for the passage of CAFTA, with Senator Cornyn expressly stating that he supports CAFTA as well.

Money Laundering

19. To discuss Honduran efforts to combat money laundering, the delegation met with Dr. Ana Christina Mejia de Pereira, President of the National Banking Commission (CNBS), and Doris Aguilar, Special Prosecutor for Organized Crime, a unit of the Public Ministry. The Treasury Department advisor from the Office of Technical Assistance, who is currently providing training on money laundering issues to the GOH, also attended the meeting.

10. Mejia began by providing an overview of the anti-money laundering law passed in 2002 and the steps taken since the law's passage (ref C). She discussed the establishment of the Financial Information Unit (FIU) and the development of a cooperative working relationship among this unit, the police investigative units responsible for financial crimes, and the Public Ministry officials responsible for prosecution of those crimes. Aguilar discussed recent Public Ministry successes in prosecuting financial crimes, but also focused on the challenges that remain, including a lack of resources. Mejia and Aguilar were very complimentary of the assistance that the GOH has received from the USG in the last two years, both from the Treasury Department and from State INL funds. Senators Shelby and Cornyn were pleased to hear that USG assistance has been useful, and pledged their commitment to continued support in the future.

Media Coverage

11. Senators Shelby and Cornyn held a press conference on the steps of the Presidential Palace after their meeting with the President, which was covered by all major news media. Coverage highlighted the Senators' interest in financial regulations to prevent money laundering and terrorist financing, port security and certification, and economic integration and development. Senator Shelby stated that Honduras is strategically situated to help other countries in the region grow by developing its own internal economy and infrastructure. Senator Cornyn spoke of the positive consequences that CAFTA would have for Honduras and for the

region. One news article inaccurately indicated that both Senators support the ratification of CAFTA, when in fact only Senator Cornyn declared his support for the agreement. The press accurately described the Senators as optimistic about Honduras being a future potential recipient of funding from the MCA.

Comment

12. Codel Shelby was well received by all sectors here, including the press, and supported USG interests and Embassy efforts on a range of issues. The Senators' visit was especially appreciated by the GOH officials in charge of investigation and prosecution of financial crimes, who were happy to be able to discuss this important issue with the Chairman of the Senate Banking Committee. The Senators were very pleased with their meeting with President Maduro, coming away with a strong personal connection and a sympathetic understanding of the difficulties that Maduro's administration is currently facing.

13. This cable was not cleared by Codel members prior to their departure.

Palmer